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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

In re: ACACIA MEDIA TECHNOLOGIES CORPORATION PATENT LITIGATION	Case No. C 05-01114 MDL No. 1665 **REPLY BRIEF IN SUPPORT OF ACACIA MEDIA TECHNOLOGIES CORPORATION'S MOTION FOR ENTRY OF JUDGMENT OF NONINFRINGEMENT AND INVALIDITY FOR INDEFINITENESS OF US PATENT NO. 6,144,702 AND CERTIFICATION PURSUANT TO FED. R. CIV. P. 54(B)** **DATE:** February 24, 2006 **TIME:** 9:00 A.M. **CTRM:** Hon. James Ware

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I. INTRODUCTION

Under the circumstances of this MDL proceeding, there are no just reasons for delay which would prevent the Court from entering judgment of invalidity and non-infringement of the '702 patent pursuant to Rule 54(b). Contrary to defendants' contentions, the Federal Circuit will not have to decide any of the same issues presented by the '702 patent appeal in any subsequent appeal. Acacia's appeal of the '702 patent will only involve the legal issues of the indefiniteness and construction of the terms "sequence encoder," "identification encoder," and "transmission system at a first location" and these claim terms are only present in the '702 patent.

Entry of judgment pursuant to Rule 54(b) will promote judicial economy. This is an MDL proceeding with twenty-one separate lawsuits, each of which must be remanded to a transferor court for trial. If the Court enters judgment pursuant to Rule 54(b), as Acacia requests, then there will be an immediate, *single* appeal of the '702 patent. Any decision by the Federal Circuit will be binding on all parties to this MDL proceeding, including the two parties whose cases have not yet been transferred who have stipulated with Acacia to stay their actions. Entering a final judgment on the '702 patent without Rule 54(b) certification will not promote judicial economy, however, because it will condemn the judicial system to the possibility of twenty-one separate, but identical, appeals of the '702 patent, and the potential for repeated trials between the same parties.

Thus, in order to avoid burdening the Federal Circuit with multiple, identical appeals of the '702 patent, the Court should enter judgment of invalidity and non-infringement of the '702 patent pursuant to Rule 54(b).

II. THE APPELLATE COURT WILL NOT BE REQUIRED TO REVIEW THE SAME ISSUES IN SUBSEQUENT APPEALS

Acacia's appeal of the '702 patent indefiniteness and claim construction issues will not require the Federal Circuit to review the same issues in subsequent appeals,

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as defendants contend. Acacia's appeal of the '702 patent will involve only issues of indefiniteness and claim construction of three '702 patent claim terms:

1. Whether the claim term "sequence encoder" is indefinite, and, if not, what is the proper legal construction for this claim term?
2. Whether the claim term "identification encoder" is indefinite, and, if not, what is the proper legal construction for this claim term?
3. What is the proper legal construction of the claim phrase "transmission system at a first location?"

Thus, if the Court were to grant a Rule 54(b) judgment, the Federal Circuit will *never* be asked, in a subsequent appeal of another Yurt patent, to decide the purely legal question of the indefiniteness or the proper legal construction of the claim terms "sequence encoder," "identification encoder," or "transmission system at a first location," as these terms do not appear in any other Yurt patent. *Cybor Corp. v. FAS Tech.*, 138 F.3d 1448, 1455 (Fed. Cir. 1988) (*en banc*) (holding that there are no underlying fact issues in claim construction); *Personsalized Media Communications, LLC v. Int'l Trade Comm.*, 161 F.3d 696, 705 (Fed. Cir. 1998) ("A determination of claim indefiniteness is a legal conclusion that is drawn from the court's performance of its duty as construer of patent claims."); *Exxon Research & Eng'g Co. v. U.S.*, 265 F.3d 1371, 1376 (Fed. Cir. 2001) ("We therefore reject Exxon's argument that the issue of indefiniteness turns on an underlying factual dispute that should not have been resolved as a matter of law on summary judgment").

Defendants' principal argument against a Rule 54(b) appeal is that the five Yurt patents share a common specification and that our appeal now will result in repetitive review of that specification. It is true that our appeal now may result in an additional, later appeal of one or more of the other Yurt Patents that share a common specification, but there is no real burden to the Federal Circuit associated with that possibility. The common specification is short -- this is not a lengthy patent specification. Moreover, this appeal will necessarily focus on the language and figures of the patent that illuminate the meaning of the terms “sequence encoder,” “identification encoder,” and “transmission system at a final location.” Much of the ‘702 patent specification will not be relevant to the narrow inquiry of this appeal.

The overwhelming volume of documents the appeals court will consider in this Rule 54(b) appeal will be unique to the ‘702 patent and not shared with any other Yurt patent. Extensive declarations were filed relating to the indefiniteness issues. A full day of evidentiary hearing transcripts during which S. Merrill Weiss testified will be considered by the Federal Circuit. This Court’s various rulings on the ‘702 patent claims will be focus of the Federal Circuit’s review. All of those materials and facts are unique to the ‘702 patent and command the propriety of Rule 54(b) certification and appeal.

III. JUDICIAL ECONOMY FAVORS ENTRY OF JUDGMENT PURSUANT TO RULE 54(B)

Rule 54(b) certification will *avoid* multiple appeals of the ‘702 patent to the Federal Circuit and the potential of multiple trials thereafter. If the claim construction issues in the ‘702 patent are resolved now by the Federal Circuit by means of a Rule 54(b) judgment, Acacia and all of the defendants will be permitted to collectively argue their respective positions to the Federal Circuit in a *single*, immediate appeal. The decision of the Federal Circuit on Acacia’s Rule 54(b) appeal will be binding on all of the parties, because that one decision will be the “law of the case” with respect to all of the parties to this MDL proceeding. *See The Toro Co. v. White Consol. Indus., Inc.*, 383 F.3d 1326, 1334-35 (Fed. Cir. 2004) (a prior decision in a case by the Federal Circuit regarding claim construction is the law of the case). A single appeal would thus promote the objectives of MDL proceedings – to avoid conflicting rulings and to save the time and effort of the parties, the attorneys, the witnesses, and the courts. *See, Manual for Complex Litigation, Fourth*, § 20.131 at 220§ 20.132 at 223; *also see In re Acacia Media Techs. Corp. Patent Litigation,* 360 F. Supp. 2d 1377, 1379 (J.P.M.L. 2005).

The course of action requested by defendants, however, would potentially require the Federal Circuit to decide the same legal issues involving indefiniteness and claim construction of the three terms of the '702 patent in *multiple, identical* appeals. Under defendants' proposal, Acacia cannot appeal the '702 patent until after the Court enters a final judgment on all of Acacia's other pending claims. The Court in this case is sitting as an MDL court that is presiding over pre-trial proceedings in *twenty-one (21) separate lawsuits*.[1] Thus, a final judgment on all of Acacia's other claims will likely not occur until after this Court transfers each of the twenty-one lawsuits to their transferor court and a judgment is reached following trial or settlement. The result will be a multiplicity of separate, appealable final judgments. Due to each transferor courts' varying dockets and trial schedules, these multiplicity of final judgments will likely be issued at different times. Acacia will therefore potentially be filing, at different times, many separate, but identical, appeals of the '702 patent. And, if the Federal Circuit reverses the claim constructions for the '702 patent in each such case, then there will be a multiplicity of remanded lawsuits, resulting in even more proceedings and multiple trials.[2]

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[1] This MDL proceeding involves fifteen (15) separate cases against adult entertainment defendants venued in the Central District of California and six (6) separate cases against cable and satellite defendants venued in the Northern District of California, the Northern District of Ohio, the District of Minnesota, and the District of Arizona. These figures do not include the case venued in the Southern District of New York or the case venued in the Eastern District of New York, because these cases have not yet been transferred to this Court and the parties to those cases have stipulated to a stay of those cases, pending Court approval.

[2] The patent cases on which defendants rely – *Chaparral Communications, Inc. v. Boman Indus., Inc*., 798 F.2d 456 (Fed. Cir. 1986), *Surgical Laser Techs. v. Surgical Laser Prods., Inc*., 27 U.S.P.Q.2d 1614 (E.D. Pa. 1993), and *Kimberly-Clark Corp. v. Eastern Fine Paper, Inc*., 559 F.Supp. 815 (D. Me. 1981) – are inapplicable to this case, because none of them involved more than one case pending before a single court. Further, *Chaparral Communications* addressed the propriety of interlocutory appeals under 28 U.S.C. § 1292(a)(1), not Rule 54(b). In *Surgical Laser*, the district court declined to certify its ruling under Rule 54(b) because the infringement issue that had been ruled upon required the same analysis of the plaintiff's product as a yet undecided issue of trade dress; here, Acacia has no product.

Acacia will suffer hardship under defendants' scenario. Acacia would be forced to argue the same issues in front of multiple appellate panels knowing that if it lost only once it would be legally precluded from arguing the issue to the next appellate panel, while if it won, the next defendant would be free to argue the same issue again.

IV. THE COURT SHOULD STAY THE TWO NEW YORK CASES

Defendants contend that any appeal now of the '702 patent issues would be premature, because the two New York cases have not yet been transferred to this Court. Acacia has stipulated with the New York defendants, pending Court approval, to stay these cases until a final, non-appealable judgment has been obtained on any of the asserted Yurt patents. If the Court were to stay the New York cases, then an appeal would not put the New York defendants at a disadvantage or require another appeal of the '702 patent.

V. CONCLUSION

Based on the foregoing, Acacia respectfully requests that this Court enter a final judgment pursuant to Rule 54(b) of: (1) invalidity for indefiniteness of claims 1-42 of the '702 patent; and (2) non-infringement of claims 1-42 the '702 patent due to the Court's construction that the phrase "transmission system at a first location" means "a transmission system at one particular location separate from the location of the reception system."[3]

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[3] As a result of the Court's construction of this phrase, any accused transmission system that is located at more than one location separate from the location of the reception system would not infringe the claims of the '702 patent. Acacia is aware that defendants utilize transmission systems located at more than one location separate from the location of the reception system. In order to expedite its appeal, Acacia conceded non-infringement of the '702 patent based on this Court's construction of "transmission system at a first location." Acacia has not, however, conceded that none of the defendants have a transmission system at only one location separate from the location of the reception system. Acacia has not been able to take any discovery from defendants and therefore has no basis for conceding or contending, and does not concede or contend, that defendants have no transmission systems that are located at more than one location separate from the location of the reception system.

DATED: February 10, 2006 HENNIGAN, BENNETT & DORMAN LLP

BY: /s/ Alan P. Block
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PROOF OF SERVICE-UNITED STATES DISTRICT COURT

STATE OF CALIFORNIA,)
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I am employed in the County of Los Angeles, State of California. I am over the age of 18 years and not a party to the within action; my business address is 865 South Figueroa Street, Suite 2900, Los Angeles, California 90017.

On **February 10, 2006**, I served a copy of the within document(s) described as **REPLY BRIEF IN SUPPORT OF ACACIA MEDIA TECHNOLOGIES CORPORATION'S MOTION FOR ENTRY OF JUDGMENT OF NONINFRINGEMENT AND INVALIDITY FOR INDEFINITENESS OF U.S. PATENT NO. 6,144,702 AND CERTIFICATION PURSUANT TO FED. R. CIV. P. 54 (b)** on the interested parties in this action by transmitting via United States District Court for the Central District of California Electronic Case Filing Program the document(s) listed above by uploading the electronic files for each of the above listed document(s) on this date, addressed as set forth on the attached Service List.

The above-described document was also transmitted to the parties indicated below, by Federal Express only.

Chambers of the Honorable James Ware
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3 copies

I am readily familiar with Hennigan, Bennett & Dorman LLP's practice in its Los Angeles office for the collection and processing of federal express with Federal Express.

Executed on **February 10, 2006**, at Los Angeles, California.

I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

/S/ Sylvia A. Berson
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